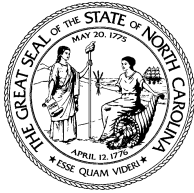


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Department of Information Technology Summary of Findings

Background – Concerns were raised about the financial operations of the Department of Information Technology (DIT). Specifically, there were concerns regarding comingling of funds, money spent in contradiction of funding purpose, purchasing, rate setting, reports, and the qualifications of the former CFO. This audit addressed those specific concerns.

1. Department of Information Technology (DIT) did not technically commingle the IT Reserve Fund and the IT Fund.

- IT Fund is for day-to-day operations
- IT Reserve Fund is for the improvement and modernization of IT infrastructure
- Commingling means transactions of the two funds were accounted for in a single fund and that the transactions were indistinguishable from each other when spent
- DIT used cost centers to distinguish the difference between the two funds but the cost centers are buried in the accounting coding
- Inexperienced budget and accounting personnel and external users could not and did not readily distinguish between the two funds, which led to errors and money spent in contradiction of funding purpose
- DIT Response: DIT agrees with the finding and plans for budgeting education training, led by the budget manager, to be held no later than the summer of 2017. The training will focus on how funding should be expensed.

2. DIT spent money on items that were not permissible based on the purpose of the funding source.

- DIT charged over \$8 million of expenses to the wrong cost center and/or fund
- DIT had a \$6 million contract for two separate IT projects with two distinct cost centers, however, only one cost center was charged
- A \$770,000 software licensing contract was incorrectly charged to the IT Fund instead of the IT Reserve Fund
- The confusion created by the IT Fund and IT Reserve in the same budget code (distinguishable by cost centers) and inattention to details likely caused these errors

- DIT Response: DIT agrees with the finding and now has a review process that requires the coding of expenditures to the appropriate cost center/fund for which they were intended. DIT plans to collaborate more with OSBM to properly identify the appropriate cost center/funds to expense
- 3. DIT adhered to State procurement policies and procedures for three specific procurement contracts.**
- DIT files contained the appropriate documentation to justify adherence to State procurement policies and procedures
 - Contracts for telephone equipment, computer tablets, and temporary IT staffing all contained the necessary approvals, waivers (when necessary), justifications, and solicitations of competition in accordance with State procurement regulations
- 4. DIT did not establish consistent, fully transparent, easily understandable rates for each service.**
- DIT cannot explain or provide support for 94 of 158 (59%) service rates in effect for State fiscal year 2016
 - DIT paid \$1.3 million to two vendors to develop methodology and recommended rates over a three-year period
 - 53 rates were higher and 26 rates were lower than a vendor-provided recommendation
 - DIT Response: DIT agrees with the finding and is reviewing and determining the most appropriate rates calculation methodology to ensure clarity and transparency of all rates to customers, upon OSBM approval
- 5. Reports provided to outside users were generally timely, but were not considered particularly useful by recipients.**
- Report recipients suggested and agreed that the reporting requirements were voluminous and not particularly useful
 - DIT should work with legislative oversight committees to determine the appropriate approach to useful reporting
- 6. Documentation supports that a former DIT employee was hired and evaluated in accordance with State policy.**
- The former employee's file contained documentation of completed employee evaluations, as well as documentation of completed hiring procedures